

**REPORTING THE INITIATION OF FORECLOSURE:
COMPLIANCE AND NON-COMPLIANCE EXAMPLES**

**A. EXAMPLES OF COMPLIANCE:
INTEREST REDUCTION/CURTAILMENT NOT REQUIRED**

Example 1.

First public action to foreclose	3/4/97
SFDMS reflects Status 68	
for reporting cycle ending	3/31/97

*The case was properly reported
No interest reduction/curtailment required*

Example 2.

First public action to foreclose	3/4/97
SFDMS reflects Status 68	
for reporting cycle ending	4/30/97

*The case was properly reported
No interest reduction/curtailment required*

Example 3.

First public action to foreclose	3/4/97
SFDMS reflects Status 46	
for reporting cycle ending	4/30/97

*Foreclosure was completed and the property
conveyed within the time provided for
proper reporting (two reporting cycles).
No interest reduction/curtailment required*

Example 4.

First public action to foreclose 3/4/97
SFDMS reflects Status 45
 for reporting cycle ending (and) 4/30/97
SFDMS reflects Status 46
 for reporting cycle ending 5/31/97
*Foreclosure was completed within the time provided for
proper reporting (two reporting cycles).
No interest reduction/curtailment required*

B. EXAMPLES OF NON-COMPLIANCE:
INTEREST REDUCTION/CURTAILMENT WILL BE REQUIRED:

Example 1.

First public action to foreclose 3/4/97
SFDMS reflects Status 46
 for reporting cycle ending 6/30/97
(no other SFDMS reporting received)
Date of conveyance 6/30/97
(6/30/97 was also the date reflected
for this direct conveyance case
in items 9 & 10, Form HUD-27011.)

Reasonable diligence requirement for this state was four months.

In this case, the mortgagee failed to report both the date of the first legal action to foreclose (status 68) and the date the foreclosure was completed (status 45).

The interest paid on this claim shall be reduced for the period of non-compliance, which in this case is two reporting cycles. All other claim time requirements were met.

To self-curtail the claim, enter a date in block 31 (Form HUD-27011) which is 60 days (representing a delay of two reporting cycles) earlier than the date the mortgagee would have otherwise received interest.

Excluding the interest curtailment for the failure to properly report the initiation of foreclosure, interest would have been payable to the date of conveyance. Using the Julian Date Calendar (see Appendix 9, HUD Handbook 4330.4), the date of conveyance, June 30, 1997, converts to 181. By subtracting 60, the resulting 121 converts to May 1, 1997, which should be reflected in block 31 of Form HUD-27011.

Example 2.

First public action to foreclose	3/4/97
SFDMS reflects Status 68	
for reporting cycle ending	8/31/97
SFDMS reflects Status 45	
for reporting cycle ending	9/30/97
Date reflected in item 9	
of HUD-27011	10/31/97
Date reflected in item 10	11/30/97

Reasonable diligence requirement for this state was six months.

In this case, the mortgagee delayed reporting the first legal action to initiate foreclosure four reporting cycles.

For the delayed reporting of the first legal action to initiate foreclosure, the interest paid on this claim shall be reduced for the period of non-compliance, which in this case is four reporting cycles (120 days). The mortgagee also failed to meet the reasonable diligence requirement.

The reasonable diligence requirement was not met and would have required a curtailment of the interest to August 31, 1997. This date would have been reflected in item 31.

Using the Julian Date Calendar (see Appendix 9, HUD Handbook 4330.4), the date of conveyance, November 30, 1997, converts to 334. By subtracting 120, the resulting 214 converts to August 2, 1997. Since this date is earlier than the reasonable diligence date, it must be reflected in block 31 of Form HUD-27011.

Example 3.

Date of default	12/01/95
First public action to foreclose	03/04/97
SFDMS reflects Status 68	
for reporting cycle ending	08/31/97
SFDMS reflects Status 45	
for reporting cycle ending	09/30/97
Date reflected in item 9	
of HUD-27011	10/31/97
Date reflected in item 10	11/30/97

Reasonable diligence requirement for this state was six months.

In this case, the mortgagee failed to initiate foreclosure within nine months from the date of default, delayed reporting the first legal action to initiate foreclosure four reporting cycles and did not prosecute foreclosure to completion with reasonable diligence.

The claim system will curtail interest to nine months from the date of default.

Since this date is earlier than either the date of curtailment for the delayed reporting of the first legal action to initiate foreclosure or the curtailment for failing to meet reasonable diligence, self curtailment will not be necessary. No interest will be payable beyond the date which is nine months from the date of default.